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Mercantile Stores Company, Inc.

Annual Report

Twelve Months Ended

January 31st

1959

MERCANTILE STORES COMPANY, INC.

LIST OF OUR STORES

BACON'S (estab. 1845)
Louisville, Ky.
St. Matthew's
Shively
Jeffersonville, Ind.
Elizabethtown (*appliance store*)

CASTNER-KNOTT (estab. 1898)
Nashville, Tenn.
Greenhills
Shelbyville

CREWS-BEGGS (estab. 1888)
Pueblo, Colo.

O. J. DE LENDRECIES (estab. 1879)
Fargo, North Dakota

GAYFER'S (estab. 1879)
Mobile, Ala.
Pensacola, Fla.

GLASS BLOCK (estab. 1887)
Duluth, Minn.

HENNESSY'S (estab. 1885)
Butte, Mont.
Livingston

JONES (estab. 1887)
Kansas City, Mo.
Troost Ave.
Independence
Muskogee, Okla.
Pittsburg, Kans.
Prairie Village, Kans.

JOSLIN'S (estab. 1873)
Denver, Colo.
Englewood
Lakewood
Merchants Park
Aurora
Greeley
Boulder

LAZARUS (estab. 1889)
Wilkes-Barre, Pa.

LION (estab. 1857)
Toledo, Ohio
Westgate
Bowling Green
Fremont

MACDOUGALL'S (estab. 1875)
Seattle, Wash.
Wenatchee
Bellingham
Appliance Stores:
West Seattle
Kirkland
Lake City
Greenwood Ave.
South Seattle

McALPIN'S (estab. 1852)
Cincinnati, Ohio
Kenwood
Western Hills
Middletown

MONTGOMERY FAIR (estab. 1868)
Montgomery, Ala.
Eastbrook
Opelika

PEOPLES (estab. 1888)
Tacoma, Wash.
Port Angeles
Lakewood
Yakima
South Tacoma

THE RIGHT HOUSE (estab. 1843)
Hamilton, Ontario, Canada
Brantford
Galt

ROOT'S (estab. 1856)
Terre Haute, Ind.
Sullivan
Robinson, Ill.
Paris, Ill.

J. B. WHITE (estab. 1874)
Augusta, Ga.
Columbia, S. C.
Aiken, S. C.

●

Represented in the markets by

MERCANTILE STORES COMPANY, INC. (N. Y.)
(A wholly owned subsidiary company)
128 W. 31st Street, New York, N. Y.

Cable Address: *Merstore*

MERCANTILE STORES COMPANY, INC.

BOARD OF DIRECTORS

JOHN E. BIERWIRTH
F. K. BRADLEY
MORGAN A. CASEY
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HAROLD W. JOCKERS
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MINOT K. MILLIKEN
ROGER MILLIKEN
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CHARLES E. STALLINGS, *Vice-President*
FREDERICK H. MESERVE, *Vice-President*
ASHTON HAWKINS, *Secretary*
R. S. KIZER, *Controller*

Stock Transfer Agent
THE NEW YORK TRUST COMPANY
100 Broadway
New York

Registrar of Stock
CITY BANK FARMERS TRUST COMPANY
22 William Street
New York

MERCANTILE STORES COMPANY, INC.

AND SUBSIDIARIES

100 West 10th Street,
Wilmington, Delaware
April 15, 1959

To the Stockholders of
Mercantile Stores Company, Inc.:

This is our fortieth annual report to stockholders. It covers the fiscal year ended January 31, 1959. In the following pages are the financial statements for the year, together with the report of Arthur Andersen & Co., independent public accountants.

The net profit for the year of $4,219,061 was the largest annual profit we have had during the last eight years. Earnings per share of $2.88 were 15 cents per share better than the previous year. Sales for the year aggregated $157,915,790, which represented an increase of 2.5% over the year before.

PROFIT

Profit before income taxes amounted to $8,709,061. This was $531,423 higher than the year before. Net profit for the year of $4,219,061 was $223,423 higher than the preceding year.

The profit results for the first quarter of our 1958 year were very poor. First quarter earnings were 15 cents per share against 28 cents for the preceding year. The profits were slightly ahead of last year in the second and third quarters, and the fourth quarter results were excellent. The month of December was the best month the Company ever had in sales and profits — by a wide margin.

The sales increase over a year ago of about $3,900,000 was of course the main factor in the increased profit.

The maintained margin of gross profit on our sales (meaning the original mark-up less mark downs) was about the same for both years — in fact this percentage has changed but little in recent years.

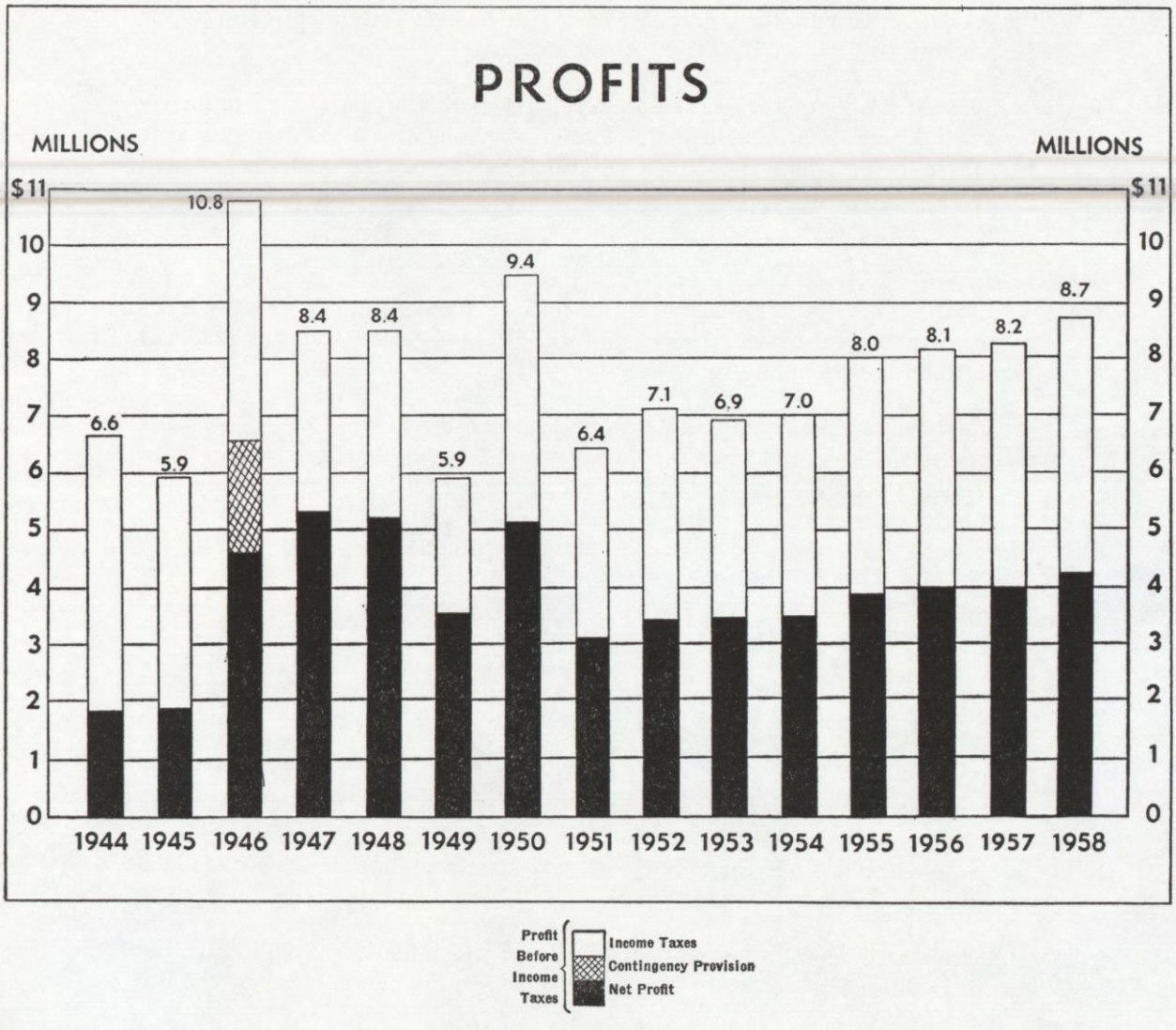
The total expense ratio to sales crept up a fraction over last year. A strong campaign to reduce expenses resulted in our operating comparable stores with fewer people than the year before, but salary rates and other costs continued to rise.

Accelerated depreciation was another factor which tended to hold down the rise in profits. The Company continued to step up its depreciation by the use

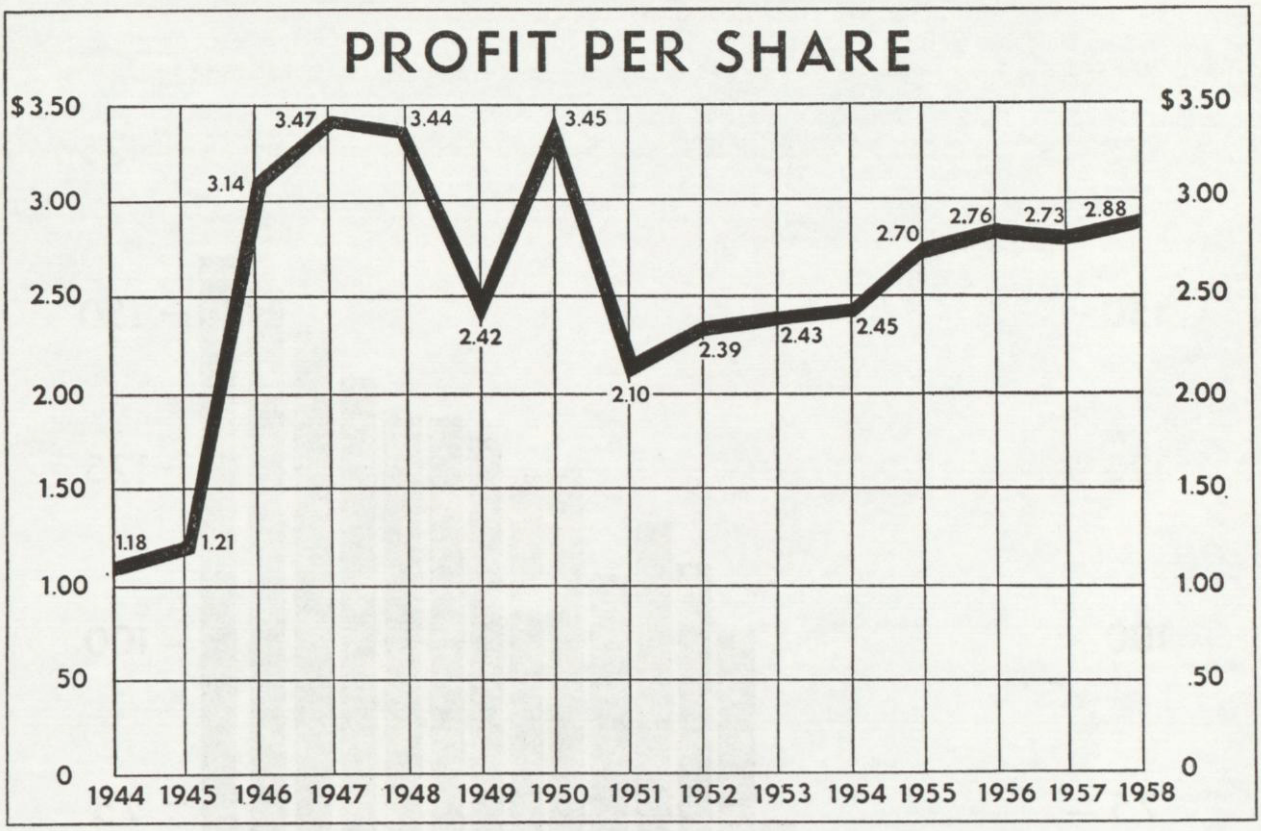
of accelerated depreciation. For the year, the extra depreciation above normal or "straight line" depreciation amounted to about $533,000 (a year ago the figure was $401,000).

This extra depreciation was equivalent to about 18 cents in per-share earnings (a year ago the comparable figure was 14 cents). The effect of this extra depreciation on pre-tax profit percentage to sales is also appreciable. The pre-tax profit percentage to sales was 5.5% for the year. If accelerated depreciation had not been charged, that percentage would have been about 5.9%. Last year the comparable two percentages to those just stated, were 5.3% and 5.6%, respectively.

The profit before income taxes and the final net profit for each of the last fifteen years is shown in the chart below.



The net profit per share of common stock amounted to $2.88 for the year. The net profit per share of common stock for each of the last fifteen years is shown in the chart below. The per-share amounts for all years are on the basis of the new common stock after the ten for one split-up in 1945.



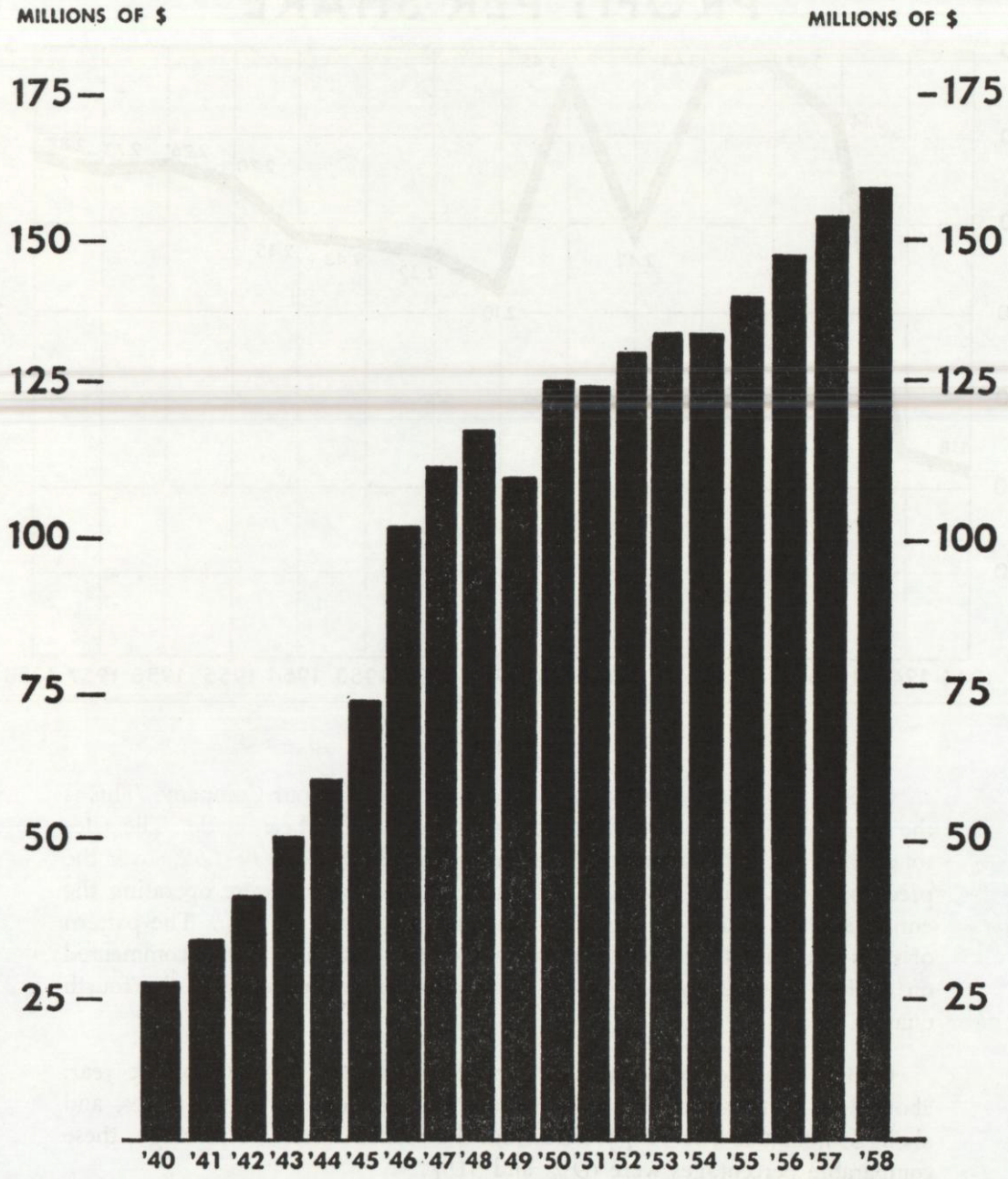
SALES

Sales for the year, were again at an all time high for our Company. This is the fourth year in a row in which a new sales record has been made. The sales total of $157,915,790 represented an increase of $3,921,449 or 2.5% over the preceding year. Sales of comparable stores (stores which were operating the entire last two years) were greater than the year before by .1%. The pattern of sales throughout the year closely paralleled the pattern of profits commented on earlier. The largest part of the sales increase was achieved in the fourth quarter.

Of the total Company sales of approximately $158,000,000 for the year, about $104,000,000 (or 66%) were in the 18 major downtown stores, and about $54,000,000 (or 34%) were from the branch stores. A year ago, these comparable percentages were 69% and 31%.

The sales for the past nineteen years are shown in comparative form in the chart below.

SALES DURING PAST 19 YEARS



DIVIDENDS

Dividends amounting to $1.65 per share were paid during the year — the same rate as the preceding year. The four regular quarterly dividends plus the year-end extra were as follows:

	Date Paid 1958	Amount Per Share
Quarterly	March 15	$ .35
Quarterly	June 14	.35
Quarterly	September 15	.35
Quarterly	December 15	.35
Year-end Extra	December 29	.25
		$1.65

The five dividends paid in 1958 amounted to $2,415,029. The dividends paid for the year were equal to 57% of the net profit for the year. To summarize the dividend pay-out during the last ten years — net profits for the ten years totaled about $38,500,000 — dividends paid aggregated about $19,400,000 — or a pay-out of about 50% over the ten years.

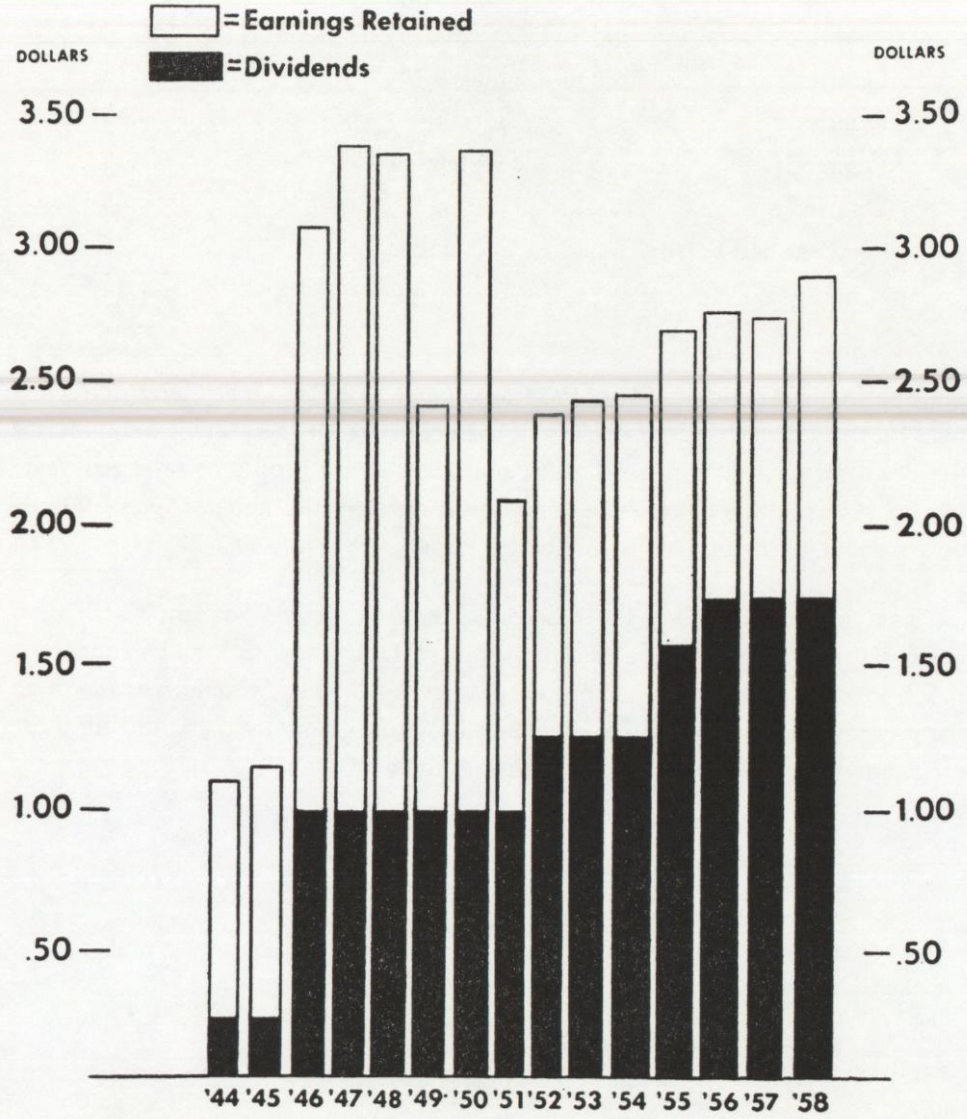
The year just closed is the nineteenth consecutive year during which dividends have been paid on the common stock without interruption. During those nineteen years there never has been a year in which the dividend was less than the preceding year. The rate of dividends has been gradually rising during those nineteen years as shown in the following summary:

$ .20	for the first two years
.25	for the next four years
1.00	for the next six years
1.25	for the next three years
1.55	for the next year
1.65	for the last three years

There were 4,545 stockholders in our Company at January 31, 1959.

The earnings, dividends and earnings retained per share of common stock for the last fifteen years are shown in the chart on the following page.

EARNINGS, DIVIDENDS, AND EARNINGS RETAINED PER SHARE OF COMMON STOCK



INVENTORY

The inventories of merchandise at the end of the year amounted to $24,562,675 which was almost the same as the preceding year total of

$24,511,645. The inventories at the end of the year included merchandise in a newly opened store. In comparable stores open both years, the inventories were slightly lower than a year ago.

EXPANSION

The Company started its expansion program in 1944. Each year since then, the Company has opened (or acquired) one or more additional stores.

In the year just closed, the Company opened a fine new store in suburban Kansas City. This store operates under the Jones Store name and is identified with our Jones Store in downtown Kansas City, Missouri. The downtown store has been doing business since 1887, and is our largest store. The new store is the dominant store in the Prairie Village shopping center. We acquired a long term lease on land, and built our own store building. The store opened in October, 1958.

The Company also recently expanded its business in Cincinnati, Ohio. We opened our McAlpin store in the Kenwood shopping center near Cincinnati — about three years ago. The store has been very successful. An addition to the building was made to permit adding about 30,000 square feet to the store. This additional space was opened for business in March, 1959.

The new store in Kansas City together with the addition to the Cincinnati store will increase the annual rate of sales of the Company by an amount estimated to be between four and a half and five and a half million dollars.

The Company has definite plans to open four new stores during the next eighteen months. All four stores will be located in shopping centers. These four stores will increase the annual sales of the Company by an amount estimated at between seven and nine million dollars.

These four stores are as follows:

In suburban Cincinnati, Ohio — plan to open in fall of 1959.

In Middletown, Ohio — in this case we will close a smaller store in downtown Middletown, and open a store more than double in size, in a shopping center — plan to open in fall of 1959.

In suburban Mobile, Alabama — plan to open in January or February of 1960.

In Canada — near St. Catharine's, Ontario — expect to open during spring or summer of 1960.

We closed two small junior stores during the year (Pittston, Pennsylvania and Nanticoke, Pennsylvania). The volume of these two stores combined was less than $400,000 per year. The stores in operation at January 31, 1959 are

listed on the front page of this report, consisting of 18 major department stores, 39 so-called "branch" stores and 6 small appliance stores.

ADDITIONS AND IMPROVEMENTS TO PHYSICAL PROPERTIES

The Company increased its investment in physical plant during the year by $5,945,457. (Last year the comparable figure was $6,440,533). The amounts invested for the year are summarized as follows:

For modernizing existing properties	$3,793,476
For new stores	2,151,981
	$5,945,457

The expenditures on existing properties include $2,040,018 in our Jones Store in Kansas City, Missouri and $745,024 in our McAlpin Store in Cincinnati, Ohio. The Jones Store project involved modernizing the entire store and the work has virtually been completed. The work on the McAlpin Store involved extensive repairs and modernization of the building we own. This work also has been nearly completed.

The expenditures of $2,151,981 for new stores, include amounts spent for the new store opened during 1958 as well as amounts spent on other new stores which have not yet opened.

Depreciation charged to operations for the year amounted to $2,705,735 compared with $2,387,850 last year.

Apart from the amounts described above, $568,611 was expended during the year (and charged to operations) for repairs and maintenance.

FINANCING OF EXPANSION

During the last ten years the Company invested $42,340,131 in its properties for new stores and improvements, as follows:

Year Ended	Capital Expenditures
January 31, 1950	$ 1,638,015
January 31, 1951	2,554,076
January 31, 1952	4,080,571
January 31, 1953	1,914,607
January 31, 1954	1,797,935
January 31, 1955	3,368,916
January 31, 1956	4,723,342
January 31, 1957	9,876,679
January 31, 1958	6,440,533
January 31, 1959	5,945,457
	$42,340,131

The above ten-year expansion was financed out of earnings to the extent of $29,108,253 and by increase in debt to the extent of $13,231,878.

NEW LONG TERM LOAN

In January, 1959 the Company signed a loan agreement with the Metropolitan Life Insurance Company for a twenty year loan of $7,500,000. The Company took down $3,000,000 of the loan prior to January 31, 1959. The remaining $4,500,000 is to be taken down by the Company, as provided in the agreement, over a period ending April 1, 1960. Under the terms of the loan, no repayment of principal is called for during the first 5 years. During the last 15 years, annual payments are called for which will repay $5,000,000 of the principal, with the last $2,500,000 of the loan becoming due at the end of the 20 years.

The interest rate is 5⅛% per annum.

The loan agreement contains various restrictions such as are usually found in similar agreements. In the opinion of our management, none of these restrictions are onerous and will not cause any change in our plans for expansion, dividend policy or other phase of our operations.

CHANGES DURING THE YEAR IN THE COMPANY'S DEBT

The total debt of the Company increased during the year by $2,024,371 as shown in the following summary:

	At Jan. 31, 1958	At Jan. 31, 1959	Inc. (Dec.)
Current maturities of long term debt (included in current liabilities on the balance sheet)	$ 1,979,687	$ 4,622,995	$2,643,308
Long Term Debt (shown on balance sheet below current liabilities)	15,447,820	14,828,883	(618,937)
Total Debt	$17,427,507	$19,451,878	$2,024,371

During the year, $4,117,000 was added to the debt — $3,000,000 of the insurance company loan described above and $1,117,000 of mortgage loans placed on newly acquired properties. All required payments of debt were made during the year totalling $2,092,629 (including $1,300,000 of the 3 year term loan from banks).

In January, 1957 the Company borrowed $6,500,000 from three banks to be repaid over three years. There now remains a balance of $3,900,000 on this loan which will be paid off in January, 1960. After that payment, the long term debt of the Company will consist of mortgages and the two loans from Metropolitan Life Insurance Company.

Regarding short term loans, the Company borrowed $5,500,000 from banks during the year in connection with its seasonal cash requirements, and paid off these loans prior to the end of the year.

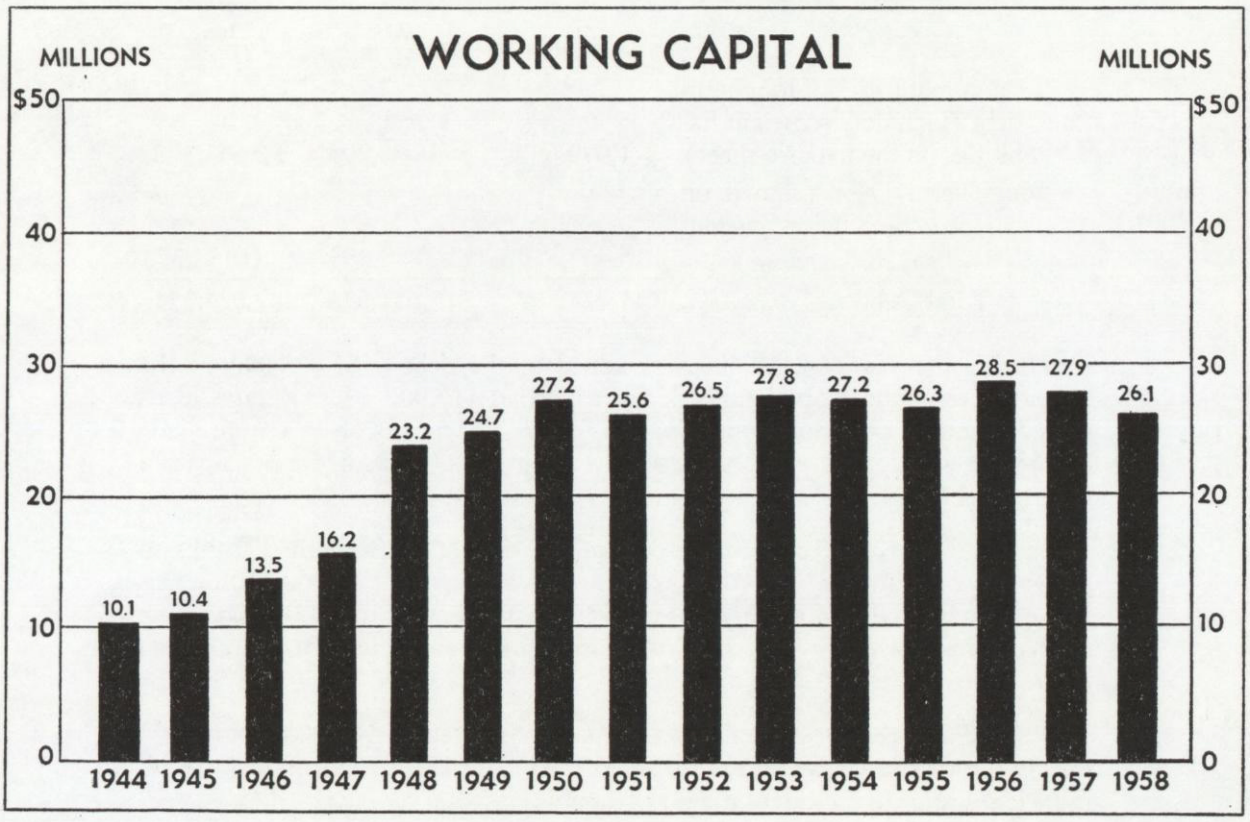
WORKING CAPITAL

The working capital at the end of the year amounted to $26,076,197, which is $1,870,517 lower than a year ago. The working capital figure is lower than it has been for several years because there is included in current liabilities the amount of $3,900,000 which is the third and last installment of the three year term loan from banks, which becomes payable in January, 1960. The Company has $4,500,000 of its loan from insurance company yet to be drawn, all of which can be taken down before the $3,900,000 becomes due.

The cash at the end of the year totaled $8,517,822, which was about $1,600,000 higher than a year ago, and which was the highest cash total at the end of the year in the Company's history.

Our cash plan for the spring of 1959 indicates we will not need to borrow any short-term money until at least later in the year. In recent years we have borrowed some short-term money in the spring.

The chart below shows the working capital for each of the last fifteen years.



PROFIT SHARING PLAN AND PENSION PLAN

The Company's Profit Sharing Plan has just completed its fifth year. Nearly 3,000 of our people now participate in the Plan. The management knows of nothing which has done more for the morale of that solid core of our people who count most in the successful operation of our business.

Reduced to its essentials, the Plan helps our people to accumulate personal savings which are supplemented by Company contributions. Our people contribute up to 6% of their salary, and the Company makes a contribution each year, geared to profits.

During the year, our people contributed a total of $660,332 of their own money into the Plan. A year ago the comparable figure was $609,009. The Company contribution for the year amounted to $237,319, compared with $209,349 a year ago. Each participant's account was credited this year with approximately thirty-six cents from the Company for every dollar contributed by the individual. (A year ago the comparable figure was thirty-five cents.)

The contributions from our people are invested by a large bank (acting as independent Trustee) in various conservative investments. The Company contributions are invested by the Trustee in Mercantile Stores stock. During the year, 8,400 shares were so purchased by the Trustee in the open market — with such purchases spaced out over a period of eleven months of the year. At January 31, 1959 the market value of the funds held by the Trustee was as follows:

From contributions by our people	$2,784,719
From Company contributions — (38,454 shares of Mercantile Stores stock and cash of $132)	1,172,979
Total	$3,957,698

The Pension Plan of the Company was continued without change. It has been in operation for fourteen years. There were 1,552 of our people covered by this Plan at January 31, 1959. A year ago the number of people covered was

1,384. The Company pays the cost of the Pension Plan which amounted to $342,102 compared with $292,477 for the preceding year. Virtually all of the so-called past service costs have been paid off by the Company — there will be no drain on future earnings because of past service pension costs.

STOCK OPTIONS

Certain stock options were granted in prior years to officers and key people. These options are described in detail in the enclosed Proxy statement. The status of these options is summarized as follows:

	Number of Options Outstanding	Number of Shares Covered by Options
At beginning of year	18	11,125
Shares purchased during year under these options		1,650
At end of year	16	9,475

These options are covered by stock held in the Company's treasury, earmarked for such options. The stock in treasury was purchased in the open market in 1952 and held for this purpose.

CURRENT SALES TREND

This report is being written near the end of March. The current sales trend is quite good. Sales for February, 1959 (the first month in our year) were 11¼% ahead of last year.

Sales figures for March are not complete as this is written. Figures for part of the month show an increase of about 9% and we expect the increase will be larger before the month ends.

The change in the date of Easter will distort the sales comparisons of March and April. (This year Easter falls on March 29th — one week earlier than last year.) March sales will be helped and April sales hurt — to some degree.

Our first quarter 1958 profit results were poor, and we are now far enough along in the year to have reasonable indication that first quarter 1959 results will show a fair improvement over 1958.

CAPITAL STRUCTURE AND CASH THROW-OFF

Mercantile Stores has only common stock outstanding. The number of shares outstanding has remained virtually unchanged for a long period of years (except for the ten for one split-up in 1945). No new stock has been issued during the expansion of the Company from around $25,000,000 of sales to about $158,000,000.

It is interesting to note that the so-called cash throw-off of our Company has been increasing rapidly in recent years. By "cash throw-off" we mean net profit plus depreciation. Depreciation is of course a "non-cash" item. The increased spending for capital assets together with the use of accelerated depreciation and our policy of taking depreciation at as fast a rate as is proper — has pushed up the depreciation charges by about one million dollars per year in the span of the last five years.

Below are given the figures referred to, for the last five years:

Year Ended	Net Profit	Depreciation	Total Cash Throw-Off
January 31, 1959	$4,219,000	$2,706,000	$6,925,000
January 31, 1958	3,996,000	2,388,000	6,384,000
January 31, 1957	4,027,000	1,973,000	6,000,000
January 31, 1956	3,917,000	1,748,000	5,665,000
January 31, 1955	3,551,000	1,617,000	5,168,000

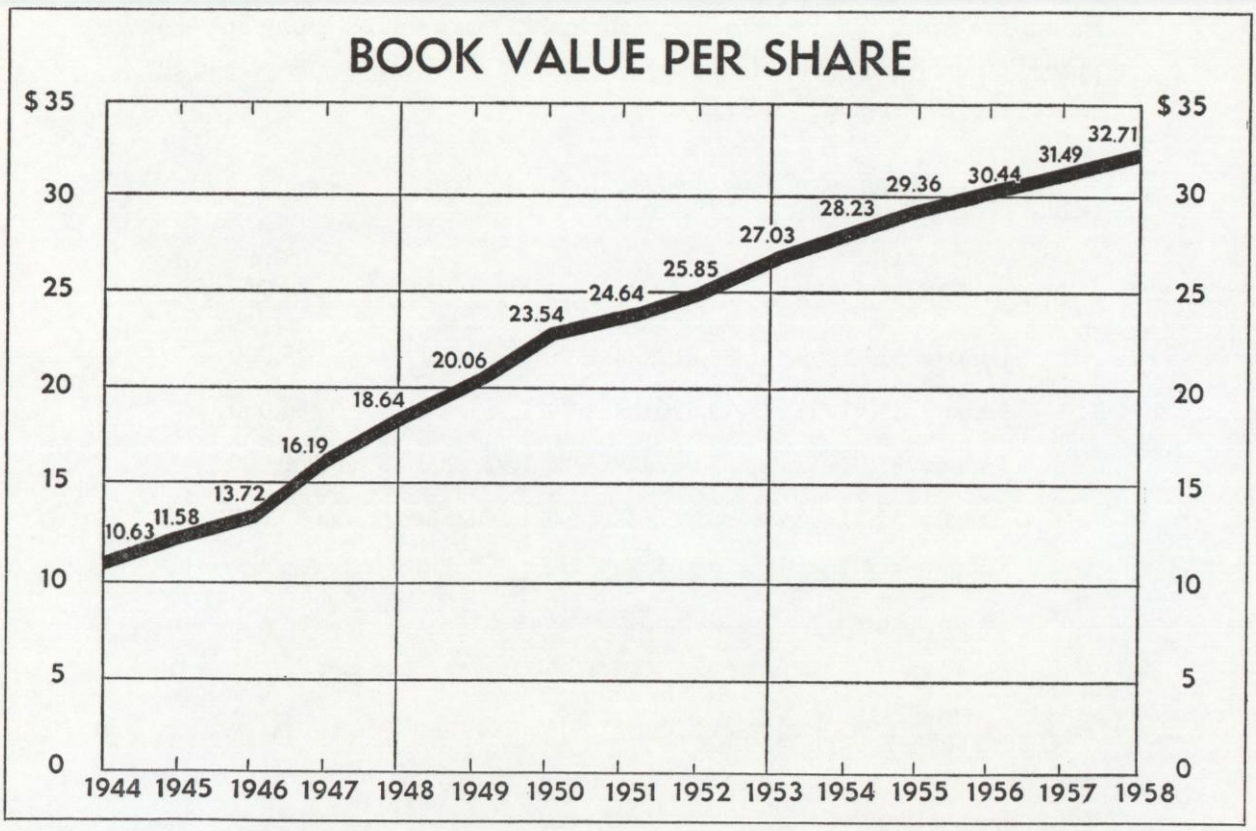
VARIOUS

The Company employs in the neighborhood of 7,300 people. During peak periods of the year, that number would be increased by over 2,000, but the figure given will approximate the normal number of people in our Company.

The earnings retained for use in the business (earned surplus) amounted to $36,542,598 at the end of the year, after an increase during the year of $1,804,032.

There was not much change during the year in customers accounts receivable. The total amounted to $23,881,201 at the end of the year, compared with $23,586,805 a year ago. The Company continued to sell most of its customers' installment contracts to a bank under an arrangement which has been operating for many years. The reserve for doubtful accounts (there was $1,362,630 in the reserve at January 31, 1959) continues to be a generous one, in the opinion of management, and the receivables are considered to be in satisfactory condition.

The book value per share of common stock was $32.71 at January 31, 1959, computed on the 1,464,434 shares outstanding at that date. The book value per share has been increasing steadily for the last twenty years. The chart below gives the per-share value at the end of each year for the past fifteen years.



The financial statements for the year and the report of our independent auditors are given on the succeeding pages. Following that is a summary of the highlights of our operations for the past twenty years together with a ten year comparison of balance sheets.

The people in our Company throughout our stores and in the New York office, are a vital factor in our operation. We are grateful for the loyal cooperation of these people. We purchase merchandise from thousands of vendors. We value highly our good relationships with vendors, and extend our thanks to them for their cooperation.

Respectfully submitted,

F. G. KINGSLEY
Chairman of the Board

HAROLD W. JOCKERS
President

MERCANTILE STO

(a Delaware

AND SUBSIDIARY

CONSOLIDATED BALANCE

ASSETS

Current Assets:

Cash		$ 8,517,822
Accounts receivable—		
Customers accounts—		
Regular retail terms	$ 9,399,187	
Installment terms, including installments maturing after one year	918,380	
Equity in installment accounts sold (the uncollected balances of accounts sold amounted to $13,563,634)	3,570,423	
Other accounts	460,542	
	$14,348,532	
Less—Reserve for doubtful accounts	1,362,630	12,985,902
Merchandise inventories, priced at the lower of cost or market		24,562,675
Unexpired insurance, prepaid rent, etc		1,029,165
TOTAL CURRENT ASSETS		$47,095,564

Fixed Assets, at cost:

Land		$ 5,730,718	
Buildings owned, buildings on leased ground and leaseholds, and building improvements	$32,580,830		
Less—Reserve for depreciation	8,856,773	23,724,057	
Store fixtures, etc	$12,742,158		
Less—Reserve for depreciation	5,545,217	7,196,941	36,651,716
			$83,747,280

NOTE:

Under the loan agreement relating to the 5⅛% notes, an additional $4,500,000 will be borrowed December 1, 1963, with the balance of $2,500,000 due on December 1, 1978.

Under the terms of this loan agreement, payment of cash dividends after January 31, 1958, is undistributed earnings of $439,940 are free of this restriction. Agreements covering other long-

RES COMPANY, INC.

corporation)

COMPANIES

SHEET – JANUARY 31, 1959

LIABILITIES

Current Liabilities:

Accounts payable		$ 8,101,032
Accrued taxes (other than Federal income), compensation, rent, etc.		4,846,704
Reserve for Federal income taxes		3,448,636
Current maturities of long-term debt (including $472,995 on mortgage notes payable)		4,622,995
TOTAL CURRENT LIABILITIES		$21,019,367

Long-Term Debt:

Notes payable to an insurance company—		
3⅜% notes, $250,000 due annually	$ 2,000,000	
5⅛% notes (see note below)	3,000,000	
Mortgage notes payable, due in installments over the life of each mortgage, most of which are twenty-year mortgages	9,828,883	14,828,883

Capital Stock and Surplus:

Common stock, par value $3.66⅔ per share—		
Authorized and issued 1,475,499 shares	$ 5,410,163	
Less—11,065 shares held in treasury, of which 9,475 shares are reserved for stock options granted at $20.41 per share	40,572	
Outstanding 1,464,434 shares	$ 5,369,591	
Capital surplus	5,986,841	
Earnings retained for use in the business (earned surplus) (see note)	36,542,598	47,899,030
		$83,747,280

by April 1, 1960. Of the total loan, $5,000,000 is payable in fifteen annual installments commencing

restricted to 70% of the net income (as defined) after that date. As of January 31, 1959, accumulated term obligations contain less restrictive provisions relating to the payment of cash dividends.

MERCANTILE STORES COMPANY, INC.

AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND SURPLUS

For the Year Ended January 31, 1959

PROFIT AND LOSS

Net sales, including sales of leased departments		$157,915,790
Cost of goods sold, selling, operating and administrative expenses, including depreciation of $2,705,735		150,147,384
Operating profit		$ 7,768,406
Other income (net):		
Carrying charges on installment accounts, and miscellaneous net income	$2,236,279	
Less—Interest expense	1,295,624	940,655
Profit before provision for income taxes		$ 8,709,061
Provision for income taxes:		
Federal taxes	$4,120,000	
State and Canadian taxes	370,000	4,490,000
Net profit for the year		$ 4,219,061

CAPITAL SURPLUS

Balance, January 31, 1958	$ 5,959,284
Excess of proceeds over par value of 1,650 shares of common stock sold during the year under options granted in 1952 at $20.41 per share	27,557
Balance, January 31, 1959	$ 5,986,841

EARNINGS RETAINED FOR USE IN THE BUSINESS (EARNED SURPLUS)

Balance, January 31, 1958	$ 34,738,566
Add:	
Net profit for the year	4,219,061
	$ 38,957,627
Dividends declared on common stock—$1.65 per share	2,415,029
Balance, January 31, 1959	$ 36,542,598

ARTHUR ANDERSEN & CO.

67 BROAD STREET
NEW YORK 4

April 3, 1959.

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS,
MERCANTILE STORES COMPANY, INC.:

We have examined the consolidated balance sheet of Mercantile Stores Company, Inc. (a Delaware corporation) and subsidiary companies as of January 31, 1959, and the related statements of consolidated profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the financial position of Mercantile Stores Company, Inc. and subsidiary companies as of January 31, 1959, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

MERCANTILE STO
AND SUBSIDIARY

TWENTY YEAR COMPARISON OF SALES,

Fiscal Year Ended January 31	Net Sales	Profit Before Income Taxes	Income Taxes	Net Profit	Net Profit Per Common Share (After 10 for 1 Splitup in 1945)
1959	$157,915,790	$ 8,709,061	$4,490,000	$4,219,061	$2.88
1958	153,994,341	8,177,638	4,182,000	3,995,638	2.73
1957	148,773,457	8,086,964	4,060,000	4,026,964	2.76
1956	138,785,704	8,036,717	4,120,000	3,916,717	2.70
1955	130,366,021	6,970,553	3,420,000	3,550,553	2.45
1954	130,882,985	6,933,491	3,410,000	3,523,491	2.43
1953	128,603,624	7,080,850	3,620,000	3,460,850	2.39
1952	124,699,947	6,442,260	3,322,000	3,120,260	2.10
1951	125,427,006	9,397,003	4,290,000	5,107,003	3.45
1950	112,607,776	5,932,129	2,325,000	3,607,129	2.42
1949	119,091,512	8,369,725	3,243,000	5,126,725	3.44
1948	113,012,702	8,444,538	3,286,000	5,158,538	3.47
1947	103,007,184	10,800,760	4,618,000	4,682,760	3.14
1946	74,407,149	5,894,901	4,084,000	1,810,901	1.21
1945	59,668,304	6,633,941	4,854,000	1,779,941	1.18
1944	50,277,807	4,700,875	3,276,760	1,424,115	.94
1943	41,173,113	3,340,264	2,118,645	1,221,619	.82
1942	34,867,853	1,912,941	812,165	1,100,776	.73
1941	29,509,394	939,991	278,548	661,443	.43
1940	27,619,565	274,646	72,059	202,587	.11

RES COMPANY, INC.

COMPANIES

EARNINGS AND RETAINED EARNINGS

DIVIDENDS PAID				
Common				
Per Share	Amount	Preferred Amount	Retained Earnings (Earned Surplus)	Book Value Per Common Share (After 10 for 1 Splitup in 1945)
$1.65	$2,415,029	$ ——	$36,542,598	$32.71
1.65	2,411,835	——	34,738,566	31.49
1.65	2,402,442	——	31,654,763	30.44
1.55	2,248,742	——	30,030,241	29.36
1.25	1,809,999	——	28,362,266	28.23
1.25	1,809,999	——	26,621,712	27.03
1.25	1,836,849	4,375	24,908,220	25.85
1.00	1,470,404	17,500	22,915,344	24.64
1.00	1,471,295	19,240	21,651,863	23.54
1.00	1,481,220	22,040	18,035,395	20.06
1.00	1,481,220	24,701	15,931,526	18.64
1.00	1,481,220	25,676	12,310,722	16.19
1.00	1,481,220	25,676	8,659,080	13.72
.25	370,305	25,676	5,483,216	11.58
.25	370,305	28,451	4,068,296	10.63
.25	368,930	36,176	2,687,111	9.69
.25	361,255	37,133	1,668,102	9.20
.20	290,444	40,187	844,871	8.58
.20	289,612	41,732	74,726	8.07
—	—	42,504	(255,373)	7.85

MERCANTILE STO

AND SUBSIDIARY

TEN YEAR COMPARISON OF

ASSETS	*January 31,* 1959	1958	1957	1956
Cash and Marketable Securities..	$ 8,517,822	$ 6,910,994	$ 7,048,251	$ 7,129,398
Receivables, less Reserve.....	12,985,902	12,491,754	13,302,895	10,020,053
Merchandise Inventories	24,562,675	24,511,645	24,794,615	24,115,864
Prepaid Expenses	1,029,165	1,238,460	990,185	886,610
TOTAL CURRENT ASSETS....	$47,095,564	$45,152,853	$46,135,946	$42,151,925
Fixed Assets (Net).....	36,651,716	33,562,828	29,794,822	21,892,498
	$83,747,280	$78,715,681	$75,930,768	$64,044,423
LIABILITIES				
Current Liabilities	$21,019,367	$17,206,139	$17,652,613	$15,837,947
Long-Term Debt	14,828,883	15,447,820	13,892,909	5,562,865
Deferred Income	—	—	—	—
Capital Stock	5,369,591	5,363,872	5,347,188	5,326,105
Surplus Reserve	—	—	1,500,000	1,500,000
Surplus	42,529,439	40,697,850	37,538,058	35,817,506
	$83,747,280	$78,715,681	$75,930,768	$64,044,423
Net Working Capital.....	$26,076,197	$27,946,714	$28,483,333	$26,313,978

RES COMPANY, INC.

COMPANIES

CONDENSED BALANCE SHEETS

January 31,					
1955	*1954*	*1953*	*1952*	*1951*	*1950*
$ 8,928,401	$ 6,875,318	$ 5,795,896	$ 6,200,137	$ 4,787,324	$ 4,739,075
11,519,124	10,913,772	11,040,474	9,549,452	10,087,958	8,977,615
21,342,757	23,015,160	23,574,168	22,796,904	28,500,036	19,284,683
1,213,341	1,086,628	1,184,306	1,329,766	1,362,356	1,312,669
$43,003,623	$41,890,878	$41,594,844	$39,876,259	$44,737,674	$34,314,042
18,996,955	17,353,654	17,070,625	16,610,429	13,880,381	12,685,167
$62,000,578	$59,244,532	$58,665,469	$56,486,688	$58,618,055	$46,999,209
$15,787,889	$14,051,103	$15,046,652	$14,261,602	$17,516,920	$ 9,625,259
4,993,357	5,611,194	5,638,334	5,526,516	5,530,000	5,355,000
336,878	440,335	552,075	440,566	576,612	504,781
5,309,330	5,309,330	5,309,330	5,660,163	5,660,163	5,721,140
1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
34,073,124	32,332,570	30,619,078	29,097,841	27,834,360	24,293,029
$62,000,578	$59,244,532	$58,665,469	$56,486,688	$58,618,055	$46,999,209
$27,215,734	$27,839,775	$26,548,192	$25,614,657	$27,220,754	$24,688,783